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DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

DPD-3404-59
Copy 1 of 3

#455

REPLY TO:

Eastern District
Auditor General
Comptroller, USAF
Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

20 May 1959

STAT

SUBJECT: Report of Audit of CPFF Second tier Subcontract
Purchase Order No. 9103-F
Fairchild Camera & Instrument Corp.
Syosset, New York
with ITEK Corporation Boston, Massachusetts
Under Prime Contract No. AF33(600)-37230 (RT-100)
Lockheed Aircraft Corporation Missiles and
Space Division Palo Alto, California
Period: 29 April 1958 to 31 March 1959

TO : Contracting Officer

1. We have completed an interim audit of subject subcontract from inception thru 31 March 1959 with the following results, which are detailed in Exhibit A:

Costs billed thru 31 March 1959 (exclusive of Fixed Fee)	\$1,684,144
Costs questioned	6,197
Amount provisionally approved	<u>\$1,677,947</u> *

* Subject to comments contained in Par. 3.

2. Fixed Fee billed to date, based on percentage of completion as of 28 February 1959, on Audit Invoice No. 11 was \$95,505.

3. The amount shown above as provisionally approved is subject to the following:

a. The satisfactory receipt and acceptance of the subcontract items.

b. The subsequent determination that the quantities of materials procured are reasonable and necessary to the requirements of the subcontract. We are unable to determine this at the present time because end - item units are in varying stages of completion.

4. Subcontractor's Reaction to Auditor's Findings:

Findings of the auditor were discussed on 7 May 1959 with Messrs

Project Contract Administrator and Asst. Acctg.

Mgr. The subcontractor's reaction was as follows:

a. Exhibit A, Note (C) - Subcontractor will submit these items for the approval of the Contracting Officer.

b. Exhibit A. Note (B), Subsistence & lodging considered excessive - Subcontractor disagrees since its company policy is that Department Managers May approve subsistence & lodging expenses not in excess of \$18 per day. (This policy has not been accepted by the subcontractor's Air Force Contracting Officer cognizant under other contracts).

c. All other Items - Subcontractor concurs.

5. Government Property:

Our findings with respect to Government property procedures which were also reviewed, are contained in Audit Report No. 461.

Liaison Officer
Eastern District
Auditor General